



House of Representatives

File No. 597

General Assembly

February Session, 2002

(Reprint of File No. 111)

Substitute House Bill No. 5599
As Amended by House Amendment
Schedule "A"

Approved by the Legislative Commissioner
May 1, 2002

AN ACT CONCERNING THE TREATMENT OF EXPENDITURES FOR CRITICAL ASSETS, FACILITIES, AND EQUIPMENT OF PUBLIC SERVICE COMPANIES.

Be it enacted by the Senate and House of Representatives in General
Assembly convened:

1 Section 1. Subsection (a) of section 16-19e of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective*
3 *October 1, 2002*):

4 (a) In the exercise of its powers under the provisions of this title, the
5 Department of Public Utility Control shall examine and regulate the
6 transfer of existing assets and franchises, the expansion of the plant
7 and equipment of existing public service companies, the operations
8 and internal workings of public service companies and the
9 establishment of the level and structure of rates in accordance with the
10 following principles: (1) That there is a clear public need for the service
11 being proposed or provided; (2) that the public service company shall
12 be fully competent to provide efficient and adequate service to the
13 public in that such company is technically, financially and
14 managerially expert and efficient; (3) that the department and all

15 public service companies shall perform all of their respective public
16 responsibilities with economy, efficiency and care for the public safety,
17 and so as to promote economic development within the state with
18 consideration for energy and water conservation, energy efficiency and
19 the development and utilization of renewable sources of energy and
20 for the prudent management of the natural environment; (4) that the
21 level and structure of rates be sufficient, but no more than sufficient, to
22 allow public service companies to cover their operating and capital
23 costs, to attract needed capital and to maintain their financial integrity,
24 and yet provide appropriate protection to the relevant public interests,
25 both existing and foreseeable which shall include, but not be limited
26 to, reasonable costs of security of assets, facilities and equipment that
27 are incurred solely for the purpose of responding to security needs
28 associated with the terrorist attacks of September 11, 2001, and the
29 continuing war on terrorism; (5) that the level and structure of rates
30 charged customers shall reflect prudent and efficient management of
31 the franchise operation; and (6) that the rates, charges, conditions of
32 service and categories of service of the companies not discriminate
33 against customers which utilize renewable energy sources or
34 cogeneration technology to meet a portion of their energy
35 requirements.

36 Sec. 2. Section 16-19e of the general statutes is amended by adding
37 subsection (g) as follows (*Effective October 1, 2002*):

38 (NEW) (g) The department may, upon application of any gas or
39 electric public service company, which has, as part of its existing rate
40 plan, an earnings sharing mechanism, modify such rate plan to allow
41 the gas or electric public service company, after a hearing that is
42 conducted as a contested case, in accordance with chapter 54, to
43 include in its rates the reasonable costs of security of assets, facilities,
44 and equipment, both existing and foreseeable, that are incurred solely
45 for the purpose of responding to security needs associated with the
46 terrorist attacks of September 11, 2001, and the continuing war on
47 terrorism.

48 Sec. 3. Subsection (e) of section 16-247k of the general statutes is
49 repealed and the following is substituted in lieu thereof (*Effective*
50 *October 1, 2002*):

51 (e) The department may modify a plan for an alternative form of
52 regulation which it approved pursuant to this section and which is in
53 effect if the department determines such modification is required due
54 to previously unforeseen circumstances, including, but not limited to,
55 allowing the company to recover the reasonable costs of security of
56 assets, facilities and equipment, both existing and foreseeable, that are
57 incurred solely for the purpose of responding to security needs
58 associated with the terrorist attacks on September 11, 2001, and the
59 continuing war on terrorism.

This act shall take effect as follows:	
Section 1	<i>October 1, 2002</i>
Sec. 2	<i>October 1, 2002</i>
Sec. 3	<i>October 1, 2002</i>

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Fund-Type	Agency Affected	Current FY \$	FY 03 \$	FY 04 \$
GF - Cost	All	-	Potential Minimal	Potential Minimal
CC&PUCF - Cost	Public Utility Control, Dept.	-	Potential Minimal	Potential Minimal

Note: GF=General Fund; CC&PUCF=Consumer Counsel and Public Utility Control Fund

Municipal Impact:

Effect	Municipalities	Current FY \$	FY 03 \$	FY 04 \$
Cost	All Municipalities	-	Potential Minimal	Potential Minimal

Explanation

The bill could result in a minimal cost to the state and municipalities associated with higher utility costs if the Department of Public Utility Control (DPUC) allows gas and electric public service companies to recover the costs of security resulting from the terrorist attacks in their rate plans.

There could also be a minimal cost for the DPUC if they hold a contested case hearing to modify rate plans of public service companies for the purpose of approving the costs of security in rate plans. It is uncertain as to how many hearings would be held but the cost of a hearing could be as high as \$500 with most of the expense resulting from court reporter fees.

House "A" authorizes the DPUC to allow gas and electric public service companies to recover the costs of security resulting from the attacks of September 11 through revised rate plans and allows the

DPUC to hold contested case hearings on revised rate plans. It has a potential minimal cost impact to the state, municipalities and the DPUC.

OLR Amended Bill Analysis

sHB 5599 (as amended by House "A")*

AN ACT CONCERNING THE TREATMENT OF EXPENDITURES FOR CRITICAL ASSETS, FACILITIES, AND EQUIPMENT OF PUBLIC SERVICE COMPANIES**SUMMARY:**

By law, the Department of Public Utility Control (DPUC) must follow certain principles in setting utility rates, including that rates be just sufficient to cover utility costs while protecting public interests. This bill specifies that the costs include the reasonable costs of security for the utility's assets, facilities, and equipment that are incurred solely to respond to security needs associated with the September 11, 2001 attacks and the continuing war on terrorism.

In case of an electric or gas utility whose rate plan includes an earnings sharing mechanism, the bill allows DPUC to modify the plan to allow the company to include such costs, both existing and foreseeable, in its rates. (Under the mechanism, if a company's rate of return exceeds a level set by DPUC, the company's ratepayers and shareholders share the excess.) Before approving the modification, DPUC must hold a hearing and conduct the proceeding as a contested case. By law, DPUC can (1) subject services provided by a telephone company that are not fully competitive to alternative forms of regulation, such as price indexing, and (2) modify the plan if needed to address previously unforeseen circumstances. The bill allows DPUC to modify the company's plan to allow the company to recover the security costs described above.

*House Amendment "A" (1) limits the bill's provisions to security costs associated with the 9/11 attacks and the war on terrorism, rather than all reasonable security costs and (2) adds the provisions regarding utilities subject to earnings sharing mechanisms and alternate forms of regulation.

EFFECTIVE DATE: October 1, 2002

COMMITTEE ACTION

Energy and Technology Committee

Joint Favorable Report

Yea 15 Nay 0